Exhibit C

DRAFT
4/30/10

AGREEMENT AND PLAN OF MERGER
OF
PRIME ACCEPTANCE CORP.
INTO
PCS FINANCIAL CORP.

THIS AGREEMENT AND PLAN OF MERGER, dated as of the ____ day of __________, 20__, is entered into by and between Prime Acceptance Corp., an Illinois corporation (the "Company" or "PAC"), and PCS Financial Corp., an Illinois corporation (referred to herein as "PCS" or the "Surviving Corporation"). PAC and PCS are also sometimes collectively referred to herein as the "Debtors" or the "Constituent Corporations."

WITNESSETH

WHEREAS, the Company and Buyer are each corporations duly organized and validly existing under the laws of the State of Illinois; and

WHEREAS, on November 13, 2008, PCS and PAC each filed a voluntary petition under Chapter 11 of the Federal Bankruptcy Code, Title 11, United States Code, Section 101 et. seq., as amended from time to time (the "Code"), in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division ("Bankruptcy Court"), Case Nos. 08-30930 and 08-30934, respectively (the "Bankruptcy Proceedings");

WHEREAS, as part of the Debtors' Joint Plan of Reorganization (the "Reorganization Plan"), the Debtors have provided for PAC to be merged with and into PCS, with PCS being the Surviving Corporation;

WHEREAS, the shareholders of PCS and PAC and the Boards of Directors of each of the Constituent Corporations, by resolutions duly adopted, each have approved this Agreement and Plan of Merger and declared it to be advisable and in the best interest of the Constituent Corporations and their shareholders that PAC be merged with and into PCS under and pursuant to the provisions of the Illinois Business Corporation Act of 1983, as amended, and approved such merger on and subject to the terms and conditions set forth herein;

WHEREAS, the Bankruptcy Court, as part of its approval of the Reorganization Plan, has approved this Agreement and Plan of Merger.

NOW THEREFORE, in consideration of the premises and the mutual agreements and benefits herein set forth and hereby provided, and in accordance with the rules of the Bankruptcy Court, PAC and PCS agree as follows:

1. **The Merger**. At and as of the Effective Time (as defined herein), PAC shall be merged with and into PCS (the "Merger") whereupon:

(a) the separate existence of PAC shall cease and PCS shall be the Surviving corporation of the Merger.

(b) the Surviving Corporation shall possess all the rights, privileges, immunities and franchises of a public nature, as well as of a private nature, of each of the Constituent Corporations; all property, real, personal and mixed, and all debts due on whatever account as set forth in the Reorganization Plan, including subscriptions to shares and all other choses in action, and all and every other interest, of or belonging to or due to each of the Constituent Corporations

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shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed; and the title to any real estate, or any interest therein, vested in any of the Constituent Corporations shall not revert or be in any way impaired by reason of the Merger;

(c) the Surviving Corporation shall be responsible and liable for all the liabilities and obligations of each of the Constituent Corporations as established and determined in the Reorganization Plan as approved by the Bankruptcy Court; any claim existing or action or proceeding pending by or against either of the Constituent Corporations shall be continued in the Surviving Corporation only as provided in the Reorganization Plan, and the rights of creditors and liens upon the property of either of the Constituent Corporations shall be continuous in the Surviving Corporation as provided in the Reorganization Plan;

(d) the Articles of Incorporation of the Surviving Corporation as then in effect shall be the Articles of Incorporation of the Surviving Corporation until amended or changed in accordance with Illinois law;

(e) the By-laws of the Surviving Corporation as then in effect shall be the By-laws of the Surviving Corporation until amended, changed or repealed; and

(f) the directors and officers of PCS in office immediately prior to the Merger shall be the directors and officers of the Surviving Corporation until their respective successors shall have been elected and have qualified or until their earlier resignation, removal or replacement.

2. **<u>Conversion of Shares.</u>**

At and as of the Effective Time, by virtue of the Merger and without any action on the part of the holders thereof:

(a) Each outstanding share of PAC Common Stock shall be exchanged for the consideration provided for in the Reorganization Plan. Such consideration shall be delivered, or deemed to be delivered, by the Surviving Corporation in accordance with the Reorganization Plan to each respective shareholder of PAC on or after the Effective Date upon surrender of the certificates representing the shares of PAC Common Stock owned by such shareholder. Immediately upon the Effective Date, all outstanding shares of PAC Common Stock shall cease to be outstanding and shall be cancelled and retired and holders of PAC Common Stock shall thereafter cease to have any rights with respect to such shares of PAC Common Stock, except for the right to receive the consideration provided for in the Reorganization Plan.

(b) Immediately upon the Effective Date, each existing share of Surviving Corporation Common Stock shall be deemed cancelled and new shares of Surviving Corporation shall be issued as provided in the Reorganization Plan.

(c) The holders of the Surviving Corporation Common Stock, as provided for in the Reorganization Plan, shall be issued certificates representing that number of shares, including fractional interests, of Surviving Corporation Common Stock as are provided for in the Reorganization Plan.

3. **<u>Shareholder Approval; Articles of Merger; Effective Date.</u>**

(a) PAC represents and warrants that this Agreement and the consummation by PAC of the plan of merger set forth herein have been duly authorized and approved by the Board of Directors and by the unanimous vote of the shareholders of PAC in accordance with the Illinois Business Corporation Act of 1983, as amended.

(b) PCS represents and warrants that this Agreement and the consummation by PCS of the plan of merger set forth herein have been duly authorized and approved by the Board of Directors and by the unanimous vote of the shareholders of the PCS in accordance with the Illinois Business Corporation Act of 1983 as amended.

(c) PAC has authorized capital consisting of 1,659 shares of Common Stock, $100.00 par value per share, of which 1,659 shares are outstanding and owned by the Shareholders, all of which outstanding shares are validly issued, fully paid and non-assessable. There are no shares of PAC's capital stock held in its treasury. There are no options, warrants, rights, shareholder agreements or other instruments or agreements outstanding giving rights to acquire any shares of capital stock of Company, nor are there any commitments to issue or execute any such options, warrants, rights, shareholder agreements, or other instruments or agreements. There are no outstanding stock appreciation rights or similar rights measured with respect to any of PAC's capital stock, nor are there any instruments or agreements giving anyone the right to acquire any such rights.

(d) As soon as practicable after the approval of the Reorganization Plan by the Bankruptcy Court, PAC and PCS shall cause Articles of Merger (the "Articles of Merger") to be properly executed and filed with the Secretary of State of Illinois in accordance with the Illinois Business Corporation Act of 1983 and this Agreement. The merger shall be deemed effective (the "Effective Time") as of date, following the Bankruptcy Court's issuance of its order approving the Reorganization Plan, at which the Secretary of State shall issue a certificate of merger for the Merger in accordance with the Illinois Business Corporation Act of 1983.

4. **Further Assurances.**

If at any time the Surviving Corporation shall consider or be advised that any further assignments or assurances in law or any other agreements are necessary or desirable to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation the title to any property right of the Company, the officers or directors of the Company in office immediately prior to the Effective Time shall in the name of such corporation execute and deliver all such proper deeds, assignments, and assurances in law and do all things necessary and proper to vest, perfect or confirm title to such property rights in the Surviving Corporation and otherwise carry out the provisions of this Agreement, and the officers and directors of the Surviving Corporation are authorized in the name of the Company, Buyer or otherwise to take any and all such action.

5. **Termination and Abandonment.**

This Agreement may be terminated and abandoned by action of the Board of Directors of either of the Constituent Corporations at any time before the Effective Date, whether before or after approval by the shareholders of either or both of the Constituent Corporations if the approval of the Bankruptcy Court to this Agreement and Plan of Merger is not obtained. Upon any such termination and abandonment this Agreement shall be void, without effect and without liability on the part of either of the Constituent Corporations or their respective shareholders, directors or officers.

[Signature Page Follows]

IN WITNESS WHEREOF, PAC and PCS have caused this Agreement to be executed and delivered by a duly appointed officer on the day and year first written above.

PRIME ACCEPTANCE CORP.

By: ______________________________
Its: ______________________________

PCS FINANCIAL CORP.

By: ______________________________
Its: ______________________________

Exhibit D

PCS

PCS FINANCIAL CORP.

AUDIT REPORT
FOR THE YEAR ENDED NOVEMBER 30, 2008

Selden Fox, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

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PCS Financial Corp. and Subsidiary
Consolidated Balance Sheet
November 30,

	2008	2007
Assets		
Cash	$ 3,169,403	$ 532,611
Accounts and loans receivable:		
Loans, secured by assigned installment accounts	21,409,888	24,269,678
Retail installment accounts, net of deferred finance charge income	66,005,603	98,353,713
	87,415,491	122,623,391
Less allowance for doubtful accounts and purchase discount	17,209,703	16,486,110
Net receivables	70,205,788	106,137,281
Property and equipment, net	116,389	134,661
Other assets	389,150	410,898
Total assets	$ 73,880,730	$107,215,451
Liabilities and Stockholders' Equity		
Liabilities subject to compromise:		
Notes payable:		
Secured - bank	$ 62,591,048	$ 82,500,000
Unsecured:		
Stockholders	1,354,089	1,435,544
Others	8,397,541	9,097,588
Accounts payable and accrued expenses	919,352	679,216
Deferred compensation	249,308	239,516
Total liabilities subject to compromise	73,511,338	93,951,864
Stockholders' equity:		
Common stock - par value, $100 per share, 10,000 shares authorized, 2,416 shares issued and outstanding	241,600	241,600
Retained earnings	127,792	13,021,987
Total stockholders' equity	369,392	13,263,587
Total liabilities and stockholders' equity	$ 73,880,730	$107,215,451

See accompanying notes.

PCS Financial Corp. and Subsidiary
Consolidated Statement of Stockholders' Equity
For the Year Ended November 30,

	Common Stock	Retained Earnings	Total Stockholders' Equity
Balance, November 30, 2006	$ 241,600	$ 11,354,178	$ 11,595,778
Net income	-	2,527,905	2,527,905
Cash distribution of $356 per share	-	(860,096)	(860,096)
Balance, November 30, 2007	241,600	13,021,987	13,263,587
Net loss	-	(11,145,011)	(11,145,011)
Cash distribution of $724 per share	-	(1,749,184)	(1,749,184)
Balance, November 30, 2008	**$ 241,600**	**$ 127,792**	**$ 369,392**

See accompanying notes.

PCS Financial Corp. and Subsidiary
Consolidated Statement of Operations
For the Year Ended November 30,

	2008	2007
Operating revenue:		
Processing and billing service	$ 2,720,550	$ 3,821,674
Interest on loans	2,661,736	2,712,705
Finance charges and earned discount	18,581,314	28,688,185
Other income	282,837	200,144
Total operating revenue	24,246,437	35,422,708
Costs and expenses:		
Collection costs	3,976,116	3,768,231
Processing fees	428,539	1,321,059
Interest expense (to stockholders - $99,826 in 2008 and $131,879 in 2007)	5,515,269	7,675,658
Administrative, selling and general expenses	1,901,701	2,181,830
Bad debt expense	24,469,194	18,579,727
Total costs and expenses	36,290,819	33,526,505
Income (loss) from operations	(12,044,382)	1,896,203
Gain on sale of retail installment accounts	994,571	670,070
Income (loss) before reorganization items and provision for replacement taxes	(11,049,811)	2,566,273
Reorganization costs - legal	75,000	-
Provision for (recovery of) replacement taxes:		
Currently payable	100	38,768
Deferred	20,100	(400)
Provision for replacement taxes	20,200	38,368
Net income (loss)	$ (11,145,011)	$ 2,527,905

See accompanying notes.

PCS Financial Corp. and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended November 30,

	2008	2007
Cash flows from operating activities:		
Net income (loss)	$ (11,145,011)	$ 2,527,905
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Gain on sale of retail installment contracts	(994,571)	(670,070)
Bad debt expense	24,469,194	18,579,726
Purchase discount earned	(5,566,729)	(12,287,910)
Depreciation	34,166	44,028
Deferred compensation	100,512	78,700
Changes in:		
Other assets	21,748	(45,675)
Accounts payable and accrued expenses	240,136	5,851
Net cash from operating activities	7,159,445	8,232,555
Cash flows from investing activities:		
Net originations of accounts and loans receivable	4,115,724	(16,732,492)
Proceeds received from sale of retail installment contracts	13,907,875	4,466,744
Purchase of property and equipment	(15,894)	(10,964)
Net cash from investing activities	18,007,705	(12,276,712)
Cash flows from financing activities:		
Net change in notes payable	(20,690,454)	5,441,325
Payments of deferred compensation	(90,720)	(93,079)
Distributions paid	(1,749,184)	(860,096)
Net cash from financing activities	(22,530,358)	4,488,150
Net change in cash	2,636,792	443,993
Cash, beginning of the year	532,611	88,618
Cash, end of the year	$ 3,169,403	$ 532,611

See accompanying notes.

Exhibit E

PCS Financial Corp. and Subsidiary
Consolidated Balance Sheet
November 30,

	2009	2008
Assets		
Cash	$ 7,646,070	$ 3,169,403
Accounts and loans receivable:		
Retail installment accounts, net of deferred finance charge income:		
Purchased	44,558,618	66,005,603
In foreclosure	7,750,290	-
	52,308,908	66,005,603
Loans, secured by assigned installment accounts	11,949,229	21,409,888
	64,258,137	87,415,491
Less allowance for doubtful accounts and purchase discount	16,420,968	17,209,703
Net receivables	47,837,169	70,205,788
Property and equipment, net	61,639	116,389
Other assets	309,077	389,150
Total assets	$ 55,853,955	$ 73,880,730
Liabilities and Stockholders' Equity (Deficit)		
Liabilities subject to compromise:		
Notes payable:		
Secured - bank	$ 48,437,938	$ 62,591,048
Unsecured:		
Stockholders	1,350,272	1,350,272
Others	8,380,388	8,380,388
Accounts payable and accrued expenses	1,518,459	940,322
Deferred compensation	257,091	249,308
Total liabilities subject to compromise	59,944,148	73,511,338
Stockholders' equity (deficit):		
Common stock - par value, $100 per share, 10,000 shares authorized, 2,416 shares issued and outstanding	241,600	241,600
Retained earnings (deficit)	(4,331,793)	127,792
Total stockholders' equity (deficit)	(4,090,193)	369,392
Total liabilities and stockholders' equity (deficit)	$ 55,853,955	$ 73,880,730

See accompanying notes and independent auditor's report.

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PCS Financial Corp. and Subsidiary
Consolidated Statement of Stockholders' Equity (Deficit)
For the Year Ended November 30,

	Common Stock	Retained Earnings (Deficit)	Total Stockholders' Equity (Deficit)
Balance, November 30, 2007	$ 241,600	$ 13,021,987	$ 13,263,587
Net loss	-	(11,145,011)	(11,145,011)
Cash distribution of $724 per share	-	(1,749,184)	(1,749,184)
Balance, November 30, 2008	241,600	127,792	369,392
Net loss	-	(4,230,065)	(4,230,065)
Cash distribution of $95 per share	-	(229,520)	(229,520)
Balance, November 30, 2009	**$ 241,600**	**$ (4,331,793)**	**$ (4,090,193)**

See accompanying notes and independent auditor's report.

PCS Financial Corp. and Subsidiary
Consolidated Statement of Operations
For the Year Ended November 30,

	2009	2008
Operating revenue:		
Processing and billing service	$ 2,204,534	$ 2,720,550
Interest on loans	2,145,316	2,661,736
Finance charges and earned discount	14,916,841	18,581,314
Other income	222,120	282,837
Total operating revenue	19,488,811	24,246,437
Costs and expenses:		
Collection costs	3,134,376	3,976,116
Processing fees	156,873	428,539
Interest (to stockholders - $69,635 in 2009 and $99,826 in 2008)	5,773,685	5,515,269
Administrative, selling and general	2,010,110	1,901,701
Bad debts	12,384,910	24,469,194
Total costs and expenses	23,459,954	36,290,819
Loss from operations	(3,971,143)	(12,044,382)
Gain on sale of retail installment accounts	-	994,571
Loss before reorganization items and provision for income taxes	(3,971,143)	(11,049,811)
Reorganization costs - legal	(217,672)	(75,000)
Provision for income taxes:		
Currently payable	41,250	100
Deferred	-	20,100
Provision for income taxes	41,250	20,200
Net loss	$ (4,230,065)	$ (11,145,011)

See accompanying notes and independent auditor's report.

PCS Financial Corp. and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended November 30,

	2009	2008
Cash flows from operating activities:		
Net loss	**$ (4,230,065)**	$ (11,145,011)
Adjustments to reconcile net loss to		

Exhibit F

PCS Financial Corp. and Subsidiary
Audit Report
For the Year Ended November 30, 2010

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Selden Fox, LTD.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
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Oak Brook, Illinois 60523-8835

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
PCS Financial Corp.
Chicago, Illinois

We have audited the accompanying consolidated balance sheet of **PCS Financial Corp. and Subsidiary** as of November 30, 2010 and 2009, and the related consolidated statements of stockholders' equity (deficit), operations, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PCS Financial Corp. and Subsidiary as of November 30, 2010 and 2009, and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 9 to the financial statements, the Company has suffered losses from operations and from a contraction in financial markets in general that has caused the Company to file a voluntary petition of relief under Chapter 11 of the Bankruptcy Code (see Note 8). These conditions and the current economic climate have raised substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Selden Fox, Ltd.

March 7, 2011

PCS Financial Corp. and Subsidiary
Consolidated Balance Sheet
November 30,

	2010	2009
Assets		
Cash	$ 4,304,936	$ 7,396,070
Restricted cash	250,000	250,000
Accounts and loans receivable:		
Retail installment accounts, net of deferred finance charge income:		
Purchased	33,412,831	44,558,618
In foreclosure	2,873,301	7,750,290
	36,286,132	52,308,908
Loans, secured by assigned installment accounts	11,137,726	11,949,229
	47,423,858	64,258,137
Less allowance for doubtful accounts and purchase discount	11,321,505	16,420,968
Net receivables	36,102,353	47,837,169
Property and equipment, net	40,125	61,639
Other assets	313,327	309,077
Total assets	$ 41,010,741	$ 55,853,955
Liabilities and Stockholders' Equity (Deficit)		
Liabilities subject to compromise:		
Notes payable:		
Secured - bank	$ 31,388,318	$ 48,437,938
Unsecured:		
Stockholders	1,350,272	1,350,272
Others	8,380,388	8,380,388
Accounts payable and accrued expenses	1,689,205	1,477,209
Accrued income taxes	348,500	41,250
Deferred compensation	249,928	257,091
Total liabilities subject to compromise	43,406,611	59,944,148
Stockholders' equity (deficit):		
Common stock - par value, $100 per share, 10,000 shares authorized, 2,416 shares issued and outstanding	241,600	241,600
Retained earnings (deficit)	(2,637,470)	(4,331,793)
Total stockholders' equity (deficit)	(2,395,870)	(4,090,193)
Total liabilities and stockholders' equity (deficit)	$ 41,010,741	$ 55,853,955

See accompanying notes and independent auditor's report.

PCS Financial Corp. and Subsidiary
Consolidated Statement of Stockholders' Equity (Deficit)
For the Year Ended November 30,

	Common Stock	Retained Earnings (Deficit)	Total Stockholders' Equity (Deficit)
Balance, November 30, 2008	$ 241,600	$ 127,792	$ 369,392
Net loss	-	(4,230,065)	(4,230,065)
Cash distribution of $95 per share	-	(229,520)	(229,520)
Balance, November 30, 2009	241,600	(4,331,793)	(4,090,193)
Net income	-	1,694,323	1,694,323
Balance, November 30, 2010	**$ 241,600**	**$ (2,637,470)**	**$ (2,395,870)**

See accompanying notes and independent auditor's report.

PCS Financial Corp. and Subsidiary
Consolidated Statement of Operations
For the Year Ended November 30,

	2010	2009
Operating revenue:		
Processing and billing service	$ 1,800,653	$ 2,204,534
Interest on loans	1,364,668	2,145,316
Finance charges and earned discount	11,225,292	14,916,841
Other income	77,499	222,120
Total operating revenue	14,468,112	19,488,811
Costs and expenses:		
Collection costs	2,720,503	3,134,376
Processing fees	240,413	156,873
Interest (to stockholders $68,797 in 2010 $69,635 in 2009)	2,938,890	5,773,685
Administrative, selling and general	1,681,782	2,010,110
Bad debts	4,655,709	12,384,910
Total costs and expenses	12,237,297	23,459,954
Income from before reorganization items and provision for income taxes	2,230,815	(3,971,143)
Reorganization costs - legal	(165,992)	(217,672)
Provision for income taxes currently payable	(370,500)	(41,250)
Net income (loss)	$ 1,694,323	$ (4,230,065)

See accompanying notes and independent auditor's report.

PCS Financial Corp. and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended November 30,

	2010	2009
Cash flows from operating activities:		
Net income (loss)	$ 1,694,323	$ (4,230,065)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Bad debt expense	4,655,709	12,384,910
Purchase discount earned	(1,952,718)	(2,639,828)
Depreciation	21,514	54,750
Deferred compensation	(7,163)	7,783
Changes in:		
Other assets	(4,250)	80,073
Accounts payable and accrued expenses	519,246	578,137
Net cash from operating activities	4,926,661	6,235,760
Cash flows from investing activities - net originations of accounts and loans receivable	9,031,825	12,623,537
Cash flows from financing activities:		
Net change in notes payable	(17,049,620)	(14,153,110)
Distributions paid	-	(229,520)
Net cash from financing activities	(17,049,620)	(14,382,630)
Net change in cash	(3,091,134)	4,476,667
Cash, beginning of the year	7,646,070	3,169,403
Cash, end of the year	$ 4,554,936	$ 7,646,070

See accompanying notes and independent auditor's report.

PCS Financial Corp. and Subsidiary
Notes to the Consolidated Financial Statements

1. **Summary of Significant Accounting Policies**

Principles of Consolidation – The consolidated financial statements (the Company) include the accounts of the Company (PCS) and its wholly-owned subsidiary, Prime Acceptance Corp. (PAC). All significant intercompany accounts and transactions have been eliminated.

Nature of Business – PCS is engaged in financing, processing, and servicing of consumer installment accounts arising from the sale of general merchandise and services to consumers throughout the United States. PAC purchases indirect retail installment contracts from sales organizations selling consumer products such as cleaning systems and improvements installed in personal residences such as water treatment systems.

Accounts and Loans Receivable

Loans Secured by Assigned Installment Accounts – Loans to dealers are stated at the amount advanced, adjusted for accrued interest and processing fees, and reduced for collections on the underlying retail installment accounts. Interest on loans is recognized as earned at rates above the prime rate. Loans to dealers at November 30, 2010 were secured by assigned installment accounts with balances of $17,788,415. Four loans totaling $10,841,086 represent 97.4% of total loans at November 30, 2010 (four loans totaling $11,317,547 represent 94.7% of total loans at November 30, 2009).

Retail Installment Accounts – Purchased retail installment accounts are stated at amortized cost plus accrued finance charges. Discounts on purchased accounts typically range from ten to fifty percent. Retail installment accounts in foreclosure are the result of a September 2009 foreclosure on a $5,394,243 dealer loan in default and the assumption of the retail installment accounts pledged as collateral. Contract terms range from 12 to 72 months. Finance charges and purchase discounts on revolving accounts are recognized when earned. Finance charges and purchase discounts on closed–end accounts are recognized upon the collection of cash, as ultimate realization is based upon future collections. Fees for late payments, returned checks, and wire transfers approximate the cost of services provided and are recognized as incurred, assuming collectibility is reasonably assured.

Allowance for Doubtful Accounts – The allowance for doubtful accounts is established through a provision for losses charged to expense. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral, and current economic conditions. The delinquency of installment accounts is based upon past due status in accordance with contractual terms. Installment accounts are charged off in the month they become delinquent six payments or greater. The accrual of interest is discontinued upon charge off or the notification of bankruptcy. Recoveries of loans previously charged off are recognized as revenue when received. Principal balances of retail installment accounts delinquent greater than three payments totaled $2,576,585 at November 30, 2010 ($6,495,676 at November 30, 2009).

PCS Financial Corp. and Subsidiary
Notes to the Consolidated Financial Statements (cont'd)

1. **Summary of Significant Accounting Policies** (cont'd)

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and operations and the related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates. A significant estimate used in the preparation of these financial statements includes the Company's routine provision for losses on dealer loans and retail installment accounts. For the aforementioned estimate, it is reasonably possible the recorded amounts or related disclosures could significantly change in the near future as new information is available.

Profit Sharing Plan – The Company has a 401(k) plan, covering substantially all employees, with contributions at the discretion of the Board of Directors. Contributions to the plan totaled $62,686 and $72,234 for the years ended November 30, 2010 and 2009, respectively.

Concentration of Risk – As of November 30, 2010, approximately 16% of retail installment accounts were originated in the state of Texas, while an additional 25% of retail installment accounts were originated in four other states. In addition, one sales organization was responsible for approximately 88% of new contract originations during the year ended November 30, 2010.

Accounting for Income Taxes – Effective August 1, 2009, the Company revoked its S-corporation status and elected to be taxed as a C-corporation. Under Subchapter S of the Internal Revenue Code, the Company generally was not subject to the corporate federal income tax but, instead, income was taxed at the stockholder level. Deferred income taxes are computed on the asset and liability method, based on when accrued vacation, deferred compensation, depreciation, interest expense, and bad debt expense affect taxable versus financial statement income.

At November 30, 2010, a deferred tax asset of approximately $4,150,000 was calculated for the net amount of these temporary differences on federal and state income taxes ($3,600,000 at November 30, 2009). At both November 30, 2010 and 2009, the deferred tax asset, as calculated, was offset by an equal valuation allowance as the ultimate realization of any future benefit is uncertain. The Company received a refund of state replacement taxes of $16,633 in 2009. The Company paid $63,250 in federal taxes during year ended November 30, 2010. The Company expensed $370,500 for federal taxes currently payable for the year ended November 30, 2010 ($41,250 expensed in year ended November 30, 2009).

In June 2006, the Financial Accounting Standards Board (FASB) issued an interpretation providing detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an entity's financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not the position will be sustained upon examination. The Company's U.S. federal and Illinois income tax returns for fiscal years 2009, 2008, and 2007 remain subject to examination.

PCS Financial Corp. and Subsidiary
Notes to the Consolidated Financial Statements (cont'd)

1. **Summary of Significant Accounting Policies** (cont'd)

Subsequent Events – Subsequent events have been evaluated through March 7, 2011, which is the date the financial statements were available to be issued.

2. **Retail Installment Accounts Receivable**

Retail installment accounts at November 30 consist of the following:

	2010	2009
Retail installment accounts, at amortized cost	**$ 36,763,019**	$ 53,236,095
Capitalized finance charges	**7,348,022**	10,565,386
Less unearned portion of capitalized finance charges	**(7,824,909)**	(11,492,573)
Net retail installment accounts	**$ 36,286,132**	$ 52,308,908

3. **Allowance for Doubtful Accounts and Purchase Discount**

The allowance for doubtful accounts and purchase discount at November 30 are as follows:

	Allowance For Doubtful Accounts	Purchase Discount	Total
Balance, November 30, 2008	$ 7,000,000	$ 10,209,703	$ 17,209,703
Bad debt expense	12,384,910	-	12,384,910
Charge-offs	(13,182,425)	(3,177,936)	(16,360,361)
Principal recoveries	2,065,826	-	2,065,826
Foreclosed accounts	2,366,654	-	2,366,654
Purchased accounts	-	1,394,064	1,394,064
Discount eamed	-	(2,639,828)	(2,639,828)
Balance, November 30, 2009	10,634,965	5,786,003	16,420,968
Bad debt expense	4,661,245	-	4,661,245
Charge-offs	(9,620,873)	(1,997,605)	(11,618,478)
Principal recoveries	1,967,785	-	1,967,785
Purchased accounts	-	1,842,703	1,842,703
Discount earned	-	(1,952,718)	(1,952,718)
Balance, November 30, 2010	**$ 7,643,122**	**$ 3,678,383**	**$ 11,321,505**

In addition to the principal recoveries noted in the preceding table, in 2010 and 2009 the Company collected $1,797,214 and $2,595,417, respectively, of finance charges and purchase discounts on contracts previously written off.

PCS Financial Corp. and Subsidiary
Notes to the Consolidated Financial Statements (cont'd)

4. Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using straight-line and accelerated methods based on useful lives of five to fifteen years. Major classes of property and equipment at November 30 are as follows:

	2010	2009
Equipment, furniture and fixtures	**$ 400,300**	$ 400,300
Leasehold improvements	**70,687**	70,687
	470,987	470,987
Less accumulated depreciation	**430,862**	409,348
Net property and equipment	**$ 40,125**	$ 61,639

5. Note Payable – Bank

The Company had a secured revolving note with a bank which provided for borrowings up to $65,000,000. Outstanding advances incurred interest payable monthly at the bank's prime rate plus 0.5%. To secure payment of the note, the Company granted the bank a continuing security interest in the Company's existing or hereafter existing assets.

As discussed in Note 8, in 2008 the Company was unsuccessful in renegotiating the lending agreement and filed for Chapter 11 bankruptcy. Pursuant to a September 2009 interim court order, the Company is required to pay $1,600,000 per month to the lender's agent. Until a final settlement is reached, the payments may be applied to principal or accrued interest at the lender's discretion.

At November 30, 2010, the outstanding balance of the loan totaled $31,388,318 with interest at an annual rate of 5.25% ($48,437,938 with interest at an annual rate of 5.25% at November 30, 2009). Interest paid on the notes totaled $2,161,181 and $4,579,485 in 2010 and 2009, respectively.

6. Notes Payable – Stockholders and Others

Certain notes issued to repurchase stock with a balance of $2,527,200 at November 30, 2010 and 2009, bear interest at 6.90% to 7.15% per annum, while interest on the remaining loans with balances of $7,203,460 at November 30, 2010 and 2009, was provided for monthly at 0.5% to 2.45% above the prime interest rate. The Company expensed $380,701 of interest on all non-bank loans in 2010 ($474,458 in 2009). All interest payments were suspended upon the Company's filing for Chapter 11 bankruptcy as described in Note 8.

PCS Financial Corp. and Subsidiary
Notes to the Consolidated Financial Statements (cont'd)

7. **Deferred Compensation**

The Company sponsors a nonqualified deferred compensation plan for key employees. Benefits are discretionary and earned based on a five-year vesting schedule. Prior to vesting, benefits payable are subject to a substantial risk of forfeiture and subject to the claims of general creditors. No deferred compensation was awarded, paid, or forfeited in 2010 or 2009 due to the Chapter 11 bankruptcy filing described in Note 8.

The Company also has a deferred compensation arrangement whereby employees with twenty consecutive years of service who are employed full-time at the retirement age of sixty-five are entitled to receive one day's pay for each year of service based on their wage at retirement. The cost of this unfunded benefit is accrued over the period of employment. The Company has provided $63,177 and $70,340 for service benefits payable at November 30, 2010 and 2009, respectively, recognizing an expense of ($7,163) and $7,783 in 2010 and 2009, respectively.

8. **Petition for Relief Under Chapter 11**

On November 13, 2008, the Company (herein known as the "Debtor") filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. Under Chapter 11, certain claims against a Debtor in existence prior to the filing of the petitions for relief are stayed while the Debtor continues business operations as Debtor-in-Possession. Additional claims may arise subsequent to the filing date resulting from rejection of executory contracts, including leases, and from the determination by the court (or agreed to by parties in interest) of allowed claims for contingencies and other disputed amounts. Secured claims are also stayed, although the holders of such claims have the right to move the court for relief from such stay.

At the date of filing, the Company's bank asserted liens and security interests in virtually all property of the Debtor in order to secure approximately $62 million of indebtedness owed by the Debtor. Although the Debtor attempted to comply with the terms and conditions of numerous amendments to and renewals of the lending relationship with the Bank, the terms and conditions of the most recent amendment and renewal effectively provided no financing to the Debtor to continue normal business operations.

In order for the Debtor to continue to operate its business and effectuate an effective reorganization, it petitioned for approval to use cash collateral for payroll, insurance, utilities, postage, rent, new loan originations to third parties, supplies and other miscellaneous items needed in the ordinary course of business. The Debtor received approval from the court to pay cash for these purposes, as outlined in cash flow budgets. In addition, the Company was required to establish a separate cash reserve of not less than $250,000 in a segregated, interest bearing ACH Reserve account.

PCS Financial Corp. and Subsidiary
Notes to the Consolidated Financial Statements (cont'd)

9. **Going Concern**

The Company has faced strains on liquidity and capital due to disruptions in its lending relationship with its bank and the general contraction of financial markets. In addition, due to the economic climate of recent years the Company has experienced greater than normal losses on its retail installment loan portfolio.

Based on the current economic climate, the Company has implemented more stringent underwriting criteria for purchasing retail installment accounts and collection policies and procedures are being re-evaluated to better focus on collection efforts. The Company has also negotiated extended terms of its Finance Agreements with its dealers.

10. **Lease Commitment**

The Company occupies office space under an operating lease that expires in June 2012. The lease is secured by a security deposit of $27,880 and $34,091 at November 30, 2010 and 2009, respectively. The security deposit is included in Other Assets on the balance sheet. Rent expense totaled $325,911 and $324,852 for the years ended November 30, 2010 and 2009, respectively. Remaining base rentals to be incurred under this lease for the years ending November 30 are as follows:

2011	$	300,602
2012		177,421
	$	478,023

11. **Contingencies**

The Company is defending claims arising out of the ordinary course of its business operations. While the ultimate outcome of the claims cannot be predicted with certainty, management, having reviewed the cases with its retained counsel, believes it has meritorious defenses to the actions and is vigorously defending against them.